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UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration
Washington 25, D. C.

AA 6

February 1, 1952

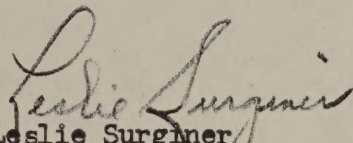
ACCOUNTING AND AUDITING MEMORANDUM 6

SUBJECT: Accounting for Substation Transformers

Questions have been raised concerning the proper accounting for substation transformers, and some confusion appears to exist because of the accounting provided for line transformers in the Uniform System of Accounts.

The method of accounting for station transformers, however, conforms to that used for materials generally; that is, the cost when purchased is charged to Account 131.1, Materials and Supplies - Electric. When such material items are used in construction, charge tickets should be prepared transferring the cost to the construction work in progress account. The installed cost will be capitalized through approved work orders.

When a substation transformer is moved within the substation, the cost of moving is a charge to maintenance. Upon removal of a substation transformer to another station, it is recommended that it be accounted for as a retirement from the old location and as a plant addition at the new location.


Leslie Surginer
Chief, Accounting and
Auditing Division

